

AN EMPIRICAL STUDY ON EXPORTS AND ECONOMIC GROWTH: THE MALAYSIAN EXPERIENCE 1971-90

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Chapter One

Introduction

1.1 Exports and Economic Growth

Industrialisation has become an important role in generating economic growth in many countries. However, most of the Less Developing Countries (LDCs), mainly South Asia and Sub-Saharan Africa, are still highly dependent on agricultural production and primary commodity for their export earnings as well as national income. As a result, they have experienced poor economic growth. Therefore they need to diversify their economic activities and also promote industrialisation.

On the other hand, the East Asian countries have experienced rapid economic growth as they have promoted industrial development. The World Bank categorises Taiwan, Hong Kong, South Korea and Singapore as the “Four Tigers”. Malaysia, Indonesia and Thailand are categorised as the Newly Industrialising Economies (NIEs). These two groups together with Japan is known as High Performance Asian Economies (HPAEs) have attributed a remarkable economic growth to the East Asian economies (World Bank, 1993: 2). The common thing among HPAEs is that they are export-oriented economies, mainly manufacturing exports, however they differ from each other in terms of practising their industrial policy. The government intervention through industrial policy in HPAEs also have a significant impact on industrial development.

1.2 Malaysian Economic Scenario

Malaysian economy has gone through rapid structural changes since independence in 1957. From a basic primary commodities and agricultural producing economy, Malaysia has emerged

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